

Blue Label Telecoms Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 2006/022679/06)  
JSE share code: BLU ISIN: ZAE000109088  
(Blue Label, BLT, the Company or the Group)

Audited results for the year ended 31 May 2021

#### Financial Highlights and Salient Features

- Revenue of R18.8 billion\*
- Gross profit of R2.38 billion (2020: R2.12 billion)
- Increase in gross profit margin from 10.05% to 12.66%
- Interest-bearing borrowings reduced to R1.7 billion (2020: R2.3 billion)
- Headline earnings of 86.16 cents per share (2020: 58.16 cents per share)
- Net cash generated from operating activities of R1.5 billion (2020: R1.3 billion)
- Core headline earnings of 89.65 cents per share\*\* (2020: 62.71 cents per share)

\* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 10% from R59.9 billion to R66.0 billion.

\*\* On exclusion of non-recurring income of R47 million in the current year and extraneous costs of R163 million in the prior year, core headline earnings per share from continuing operations increased by 16% to 81.50 cents per share compared to 70.54 cents per share in the prior year.

#### Group results

Core headline earnings for the year ended 31 May 2021 amounted to R788 million, equating to core headline earnings of 89.65 cents per share, of which R763 million related to continuing operations and R25 million to discontinued operations.

Core headline earnings for the prior year amounted to R562 million, equating to 62.71 cents per share, of which R469 million related to continuing operations and R93 million to discontinued operations.

On exclusion of non-recurring income of R47 million in the current year and extraneous costs of R163 million in the prior year, as illustrated in the tables below, core headline earnings from continued operations increased by R84 million from R632 million to R716 million. On exclusion of the items noted in the tables below, core headline earnings per share from continuing operations increased by 16% from 70.54 cents per share in the prior year to 81.50 cents per share.

On exclusion of non-recurring income and extraneous costs in both the current and prior year, earnings per share and headline earnings per share from continued operations increased by 15% to 77.31 cents per share and 17% to 78.01 cents per share respectively.

Earnings per share amounted to 94.55 cents per share, of which 91.67 related to continuing operations and 2.88 cents per share related to discontinued operations. In the prior year earnings per share amounted to 13.89 cents per share, of which 25.30 related to continuing operations and (11.41) cents per share related to discontinued operations.

The financial results of WiConnect in the current year of R25 million, as well as those of Blue Label Mobile, the Handset division of 3G Mobile and WiConnect, totalling R93 million in the prior year, are disclosed in core headline earnings from discontinued operations and are not included in the continuing operations' revenue, gross profit, EBITDA, and net profit after taxation.

Revenue generated by the continuing operations within the Group declined by 11% to R18.8 billion. As only the gross profit earned on PINless top-ups, prepaid electricity, ticketing and gaming are recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 10% from R59.9 billion to R66.0 billion.

Gross profit increased by R259 million (12%) to R2.38 billion, congruent with an increase in margins from 10.05% to 12.66%.

Group income statement  
For the year ended 31 May 2021

	Group May 2021 R'000	Extraneous income* May 2021 R'000	Remaining May 2021 R'000	Group May 2020 R'000	Extraneous costs** May 2020 R'000	Remaining May 2020 R'000	Growth remaining R'000	Growth remaining %
Revenue	18 821 290	-	18 821 290	21 135 326	-	21 135 326	(2 314 036)	(11)
Gross profit	2 383 254	-	2 383 254	2 124 611	-	2 124 611	258 643	12
EBITDA	1 360 273	131 777	1 228 496	825 364	(387 754)	1 213 118	15 378	1
Share of profits/(losses) from associates and joint ventures	2 951	(6 554)	9 505	16 598	-	16 598	(7 093)	(43)
- Blue Label Mexico	(6 554)	(6 554)	-	(5 806)	-	(5 806)	5 806	100
- Other	9 505	-	9 505	22 404	-	22 404	(12 899)	(58)
Net profit from continuing operations	805 286	126 175	679 111	226 786	(376 824)	603 610	75 501	13
Core headline earnings	787 580	71 663	715 917	562 132	(209 979)	772 111	(56 194)	(7)
- from continuing operations	762 599	46 682	715 917	469 113	(163 240)	632 353	83 564	13
- from discontinued operations	24 981	24 981	-	93 019	(46 739)	139 758	(139 758)	(100)
Gross profit margin (%)	12.66		12.66	10.05		10.05		
EBITDA margin (%)	7.23		6.53	3.91		5.74		
Weighted average shares ('000)	878 463		878 463	896 409		896 409		
Share performance from continuing operations								
- EPS (cents)	91.67		77.31	25.30		67.34	9.97	15
- HEPS (cents)	83.32		78.01	48.73		66.93	11.08	17
- Core HEPS (cents)	86.81		81.50	52.33		70.54	10.96	16

\* The predominant positive contributions to Group earnings in the current year were attributable to:

- realised foreign exchange gain on the USD20 million liquidity support provided to SPV2(1);
- partial recoupment of losses by the Retail division as a result of the closure of the WiConnect stores in the prior year(2); and
- once-off income, including the disposal of the Group's interest in Blue Label Mexico(3).

	Extraneous income* May 2021 R'000	Fair value movements(1) May 2021 R'000	WiConnect(2) May 2021 R'000	Once-offs(3) May 2021 R'000
EBITDA	131 777	16 009	-	115 768
Net profit from continuing operations	126 175	16 961	-	109 214
Core headline earnings	71 663	16 961	24 981	29 721
- from continuing operations	46 682	16 961	-	29 721
- from discontinued operations	24 981	-	24 981	-

\*\* The predominant negative contributions to Group earnings in the prior year were attributable to:

- fair value downward adjustments of the Glocell loan and an unrealised foreign exchange loss on the USD20 million liquidity support provided to SPV2(4);
- impairments of goodwill relating to Blue Label Connect and a partial impairment relating to Glocell Distribution(5);
- extraneous expenditure within the Retail division as a result of the closure of the WiConnect stores(6); and
- once-off expenditure and income(7).

	Extraneous costs** May 2020 R'000	Fair value movements(4) May 2020 R'000	Impairments(5) May 2020 R'000	WiConnect(6) May 2020 R'000	Once-offs(7) May 2020 R'000
EBITDA	(387 754)	(115 065)	(213 584)	-	(59 105)
Net profit from continuing operations	(376 824)	(96 481)	(213 584)	-	(66 759)

Core headline earnings	(209 979)	(96 481)	-	(183 773)	70 275
- from continuing operations	(163 240)	(96 481)	-	-	(66 759)
- from discontinued operations	(46 739)	-	-	(183 773)	137 034

On exclusion of the above non-recurring income of R132 million in the current year and extraneous costs of R388 million in the prior year, EBITDA increased by R15 million from R1.21 billion to R1.23 billion.

The anticipated increase in overheads, which included costs attributable to additional headcount and expenditure incurred in order to enhance IT Infrastructure, escalate the quantum of distribution channels, enhance capacity in the Customer Interaction Centre and implement value added services and financial service strategies, contributed to the limited increase in EBITDA.

The Blue Label Group generated positive cash flows from its trading operations for the year ended 31 May 2021.

#### Subsequent events

##### Glocell Distribution Proprietary Limited

On 29 June 2021, The Prepaid Company acquired the remaining 52% shareholding in Glocell Distribution for a total purchase consideration of R137 million, of which R126 million was discharged by way of a conversion of debt owing by Glocell Proprietary Limited, the owners of 40% of the company, to The Prepaid Company. The balance of 12% was acquired by The Prepaid Company for R11 million. Over and above the cost of acquisition of 52% of Glocell Distribution by The Prepaid Company, the latter assumed Glocell Proprietary Limited's obligation of R105 million to Investec Bank Limited.

##### Banking facilities

Subsequent to year-end, The Prepaid Company renegotiated a further extension of its Investec facility to 30 September 2022, whereby the facility of R1.45 billion was increased by R105 million relating to the Glocell Proprietary Limited facility as referred to above. From December 2021 the exposure to Investec is required to be reduced by R50 million per month, with the balance owing to be no more than R1 billion.

As at 31 May 2021 the Investec facility is disclosed as current borrowings, as the extension to 30 September 2022 was only granted in August 2021.

In August 2021, CEC entered into a debt funding agreement with Investec. Its mezzanine facility with Investec was due to expire on 31 August 2021 but has been extended to 31 March 2022.

As at 31 May 2021 CEC's debt facility was disclosed as current borrowings, as the extension to 31 March 2022 was only granted in August 2021.

##### Airvantage and AV Technology put obligations

In October 2020, the minority shareholders of Airvantage Proprietary Limited (Airvantage) and AV Technology Limited (AV Tech) exercised their rights to put their 40% shareholding therein to Blue Label Telecoms (BLT), in line with the initial agreements that were concluded between the parties in 2017. The purchase consideration under the put options, as determined by the parties in December 2020, for the 40% shareholdings in Airvantage and AV Tech, amounted to R152 million and USD4.6 million respectively (purchase price).

In February 2021, the parties concluded an agreement legislating for a deferral of the purchase price payable to the minority shareholders of Airvantage and the minority shareholder of AV Tech from 31 December 2020 to 31 March 2021, with subsequent extensions being granted, payable in six equal monthly instalments, inclusive of interest, commencing on 30 November 2021.

If Cell C Limited is able to pass a solvency and liquidity test, the primary obligation in respect of the put options are transferrable to Digital Ecosystems Proprietary Limited (DE), formerly Blue Label Mobile Proprietary Limited, in terms of the agreement concluded with it in September 2019.

An agreement between BLT and DE was reached in August 2021, whereby the parties agreed that BLT's primary obligations to the minority shareholders will be transferred to DE ahead of any Cell C test in respect of its solvency and liquidity. This agreement

is subject to the fulfilment of certain conditions precedent.

If, however, Cell C is unable to pass the solvency and liquidity test in the future, the primary obligation in respect of the put options may revert back to BLT.

#### Appreciation

We are thankful to all our staff members who have adapted to new ways of working during these unprecedented times and continue to contribute to the Group's performance. The Board of Blue Label wishes to express its appreciation to its suppliers, customers and business partners for their continued support and commitment to the Group.

#### Short-form announcement

This short-form announcement is the responsibility of the directors of the Company. This short-form announcement is based on an extract of the audited summarised Group annual financial statements released on SENS on 26 August 2021. The announcement itself is not audited and does not contain full or complete details.

The summarised Group financial statements have been audited by PricewaterhouseCoopers Inc., who expressed a modified opinion thereon. The auditor also expressed a modified opinion on the consolidated annual financial statements from which the summary consolidated financial statements were derived.

Any investment decision by investors and/or shareholders should be based on consideration of the full SENS announcement and audited Group annual financial statements. These results together with a copy of the accompanying auditor's reports and key audit matters may be requested by contacting Investor Relations by e-mail at [investors@blts.co.za](mailto:investors@blts.co.za) and are available for inspection at the registered offices of the Company during office hours and on the Company's website ([www.bluelabeltelecoms.co.za](http://www.bluelabeltelecoms.co.za)) at no charge.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/BLU/FYresults.pdf>.

For and on behalf of the Board

LM Nestadt  
Chairman

BM Levy and MS Levy  
Joint Chief Executive Officers

DA Suntup\* CA(SA)  
Financial Director

26 August 2021

\* Supervised the preparation and review of the Group's audited year-end results.

Directors: LM Nestadt (Chairman)\*, BM Levy, MS Levy, K Ellerine\*\*, GD Harlow\*, NP Mnxasana\*, JS Mthimunye\*, DA Suntup, J Vilakazi\*, PL Zim\*

\*Independent Non-Executive

\*\*Non-Executive

Company Secretary: J van Eden

Sponsor: Investec Bank Limited

Auditor: PricewaterhouseCoopers Inc.

Additional information available online at [www.bluelabeltelecoms.co.za](http://www.bluelabeltelecoms.co.za)